

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 2733-01  
Bill No.: SB 764  
Subject: Education, Elementary and Secondary  
Type: Original  
Date: January 12, 2004

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**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUND</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
<b>Total Estimated Net Effect on General Revenue Fund</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.  
This fiscal note contains 4 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2005</b>	<b>FY 2006</b>	<b>FY 2007</b>
<b>Local Government</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

### **FISCAL ANALYSIS**

#### **ASSUMPTION**

Officials from the **Department of Elementary and Secondary Education (DESE)** submitted the following analysis of fiscal impact: This proposal revises the Line 1 entitlement of the foundation formula by returning to one proration factor rather than the 2 proration factors adopted in SB781 (1998).

Prior to the passage of SB 781 (1998), the Line 1 entitlement calculation was: Eligible Pupils x Equalized Operating Levy for School Purposes x the Guaranteed Tax Base (GTB) x the Proration Factor. When the appropriation exceeded the amount needed to have a proration factor of 1.00 or was below the amount needed to have a proration factor of 1.00, one proration factor was applied to the total entitlement for all school districts regardless of the districts' tax rates.

SB 781 created two entitlement calculations, summed to determine the total entitlement. Line 1A uses the factors stated above for the portion of the tax rate not to exceed \$2.75. Line 1 B uses the factors stated above for the portion of the tax rate greater than \$2.75.

In the event the appropriation is below the amount needed to have a proration factor of 1.00, Line 1B is prorated first. Line 1A is not prorated until the 1B proration drops to less than .95. If the Line 1B proration factor continues to drop below .95, Line 1A is prorated downward maintaining a .05 spread between Lines 1A and 1B.

ASSUMPTION (continued)

This proposal removes the language creating Lines 1A and 1B, returning the formula to the pre-SB781 language concerning the entitlement calculation. The change in this proposal does not increase or decrease the amount needed to fund the formula at a proration of 1.00. The change does effect the distribution of the available money when the appropriation is insufficient to provide for a proration factor of 1.00.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

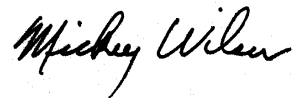
This proposal removes the line 1(b) formula calculation (which currently determines an entitlement amount for any portion of a levy above the minimum-required levy) and alters the line 1(a) calculation accordingly, so that a district's entitlement would be the product of: multiplying the number of eligible pupils by the district's operating levy for school purposes multiplied by the guaranteed tax base per eligible pupil times the proration factor.

Under the provisions of this proposal , should the formula be underfunded, all of the districts' entitlements will be calculated utilizing the same proration factor, regardless of the levy a district imposes. The current formula, if underfunded, applies a lower proration factor when calculating the portion of a district's entitlement which is above \$2.75.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA  
Director  
January 12, 2004